MEETING HOUSING NEEDS ARISING OUT OF HURRICANE KATRINA

A Status Report One Year Later

Bush Administration Policies, Mismanagement, and Inaction Have Delayed Reconstruction of Housing in the Gulf Coast and Impeded the Return of Residents to Their Local Communities

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[Prepared by the Minority Staff of the House Financial Services Committee]

Executive Summary

Delayed Reconstruction of Housing Units Damaged by Hurricane Katrina

- The Bush Administration has strenuously opposed a GSE Affordable Housing Fund. Had it not opposed this fund and the broader GSE reform bill *(HR 1461)*, hundreds of millions of dollars would already be going to the Gulf Coast for housing reconstruction.

- The Administration's slow response to housing needs delayed the pace of reconstruction. While House Democrats unveiled a vigorous housing funding plan, the Administration's initial request was so inadequate that the amount Congress later approved ($11.5 billion in CDBG funds) was 8 times the Administration request. Subsequent pressure from Gulf Coast members frustrated by the Administration's opposition to a housing reconstruction bill (HR 4100) forced the Administration to ask for more funds to meet housing needs.

- The Bush Administration has consistently opposed efforts to rebuild affordable rental housing for working and low income families, even opposing a requirement that a portion of CDBG reconstruction funds go for this purpose. Instead of funding repair of public housing units that could be readily repaired, the Administration is demolishing 5,000 units, with HUD Secretary Jackson publicly opposing rebuilding parts of New Orleans.

A Hole in the Disaster Housing Safety Net; Impeding Return of Residents to their Local Communities

- The Bush Administration and Congressional Republicans opposed Democratic initiatives made right after Katrina hit for emergency housing vouchers for dislocated households (modeled after a successful program used after the 1994 Northridge Earthquake).

- Instead, the Bush Administration relied on the Section 408 FEMA rental assistance program, which it mismanaged - making it difficult for large numbers of qualified households to receive assistance. FEMA's repeated refusal to obey Congress' legislative directive to issue clear eligibility criteria for the program has made it harder for families that moved after Katrina hit to get rental assistance and return to their local communities.

- After FEMA spent billions of dollars on manufactured homes and RV trailers, tens of thousands went unused for long periods of time, while displaced families lacked housing. Trailers should have been used to house families near where they lived or sited on homeowners' properties - to make it easier for them to move back to their community.

Bush Administration Failures

- In February, the Administration issued a report stating that one of its "Lessons Learned" is that HUD should be in charge of long-term disaster housing needs. Yet, a year after Katrina hit, FEMA is still in charge of the Administration's housing response to Katrina.

- In November, 2005, the Bush Administration tried to kick out 53,000 families on just two weeks notice from lodging in hotels and motels. Only a public outcry and successful lawsuits forced the Administration to give families more time to find alternative housing.

- Immediately after Katrina hit, the Administration encouraged Houston and other cities to co-sign long-term leases of up to one year to house Katrina evacuees. Two months later, the Administration its word and forced these communities to break these leases.

Introduction: One Year Later

The federal government has a critical role to play in the response to natural disasters such as Hurricane Katrina. This is especially true with respect to housing, as Katrina has destroyed or damaged a major portion of the housing stock, and hundreds of thousands of families (many with limited resources) were displaced from their homes and forced to find alternative housing.

In this type of natural disaster, the Federal Agency Management Agency (FEMA) is responsible for emergency housing assistance, and the Department of Housing and Urban Development (HUD), as the main federal housing agency, should play the key federal role in the intermediate and long-term housing response, as communities and individuals recover from the disaster.

One year after Katrina hit, it is difficult to get good data on the pace of housing reconstruction, on the number of families that have returned to their home communities, and on whether the hundreds of thousands of households dispersed through the region and the country have either the intent or the means to return. However, there appears to be a consensus that the pace of reconstruction of the housing stock damaged by Katrina is slower than it should be. And, the hope that large numbers of households would return to the area is now in question, as reports begin to circulate that many households plan to stay permanently in the area they moved to.

The causes of these disappointing housing results are complex and varied. They may include the immense challenges of the physical reconstruction itself, the difficulty of reconciling insurance reimbursements between home insurers and the National Flood Insurance program, the difficulty state and local officials face in utilizing and prioritizing limited resources to help homeowners, renters, and apartment owners, and other factors.

One conclusion is inescapable. The response of the Bush Administration to the housing crisis arising from Hurricane Katrina has been an abject failure.

The Bush Administration's housing response to Katrina includes the legendary failures of FEMA, an indifference of HUD (the federal agency responsible for housing policy) to the crisis, woefully inadequate requests for housing reconstruction funds, and opposition to numerous Congressional efforts to provide affordable rental housing for working families.

All of these have played a critical role in delaying the reconstruction of housing in the Gulf, in adding to the burden of host communities like Houston that generously stepped in to help displaced families, in failing to provide a rental assistance safety net to families torn from their homes, and in impeding the relocation of households back to their communities.

This report documents these Bush Administration housing policies and actions over the last year.

Housing Reconstruction in Areas Impacted by Hurricane Katrina

According to Homeland Security Secretary Michael Chertoff, Hurricane Katrina completely destroyed or made uninhabitable an estimated 300,000 homes. The Bush Administration responded slowly to this crisis, and when it finally did ask Congress for funding, the amount was woefully inadequate. The Bush Administration also opposed a number of Senate initiatives to accelerate reconstruction of damaged housing units, and in particular, opposed provisions to address the affordable rental housing needs of working and low income families.

Ill-Conceived, Inadequate Lottery Initiative
The first Bush Administration response to housing repair needs was President Bush's September 15th announcement of a $200 million Urban Homestead Initiative, modeled after a 19th Century program revived in 1974 but soon abandoned as it became clear that a 19th century program could not meet current housing needs. This proposal was merely a lottery for a few thousand families, to be given federal surplus properties (but not funding to repair them). Not surprisingly, not a single committee in the Republican controlled Congress even considered this proposal.

Opposition to Government Sponsored Enterprise (GSE) Affordable Housing Fund
Five months before Katrina hit, a bill to strengthen regulation of Fannie Mae and Freddie Mac (HR 1461) was introduced. A month later, the bill was reported out of the Financial Services Committee by a vote of 65 to 5, with an amendment initiated by House Democrats to create an Affordable Housing Fund. Under the Fund, GSEs would make annual contributions of some $500 million a year starting in 2006, to be used for affordable homeownership and rental housing purposes. Funds would be awarded with priority to projects having the "greatest impact." When the bill was later approved by the House after Hurricane Katrina hit, the bill was revised to give priority for Fund use in the first few years to areas impacted by Hurricane Katrina.

The Bush Administration has strenuously opposed this affordable housing fund, and has also blocked consideration of the broader GSE bill, through its insistence on harsh portfolio limits on Fannie Mae and Freddie Mac. Senate Republicans also oppose the Fund, and even in the House, where the Fund enjoys bi-partisan support, Fund provisions were watered down by Republican Leadership, responding to a small group of conservatives who were trying to kill the Fund.

If the GSE bill had been promptly enacted into law last year, funds would already be going to the Gulf to help with housing reconstruction. Instead, more than a year later the Fund languishes.

Inadequate CDBG Funding Proposal
Despite initial reports from the Red Cross in September 2005 that over 417,000 homes were destroyed by Katrina, it took nearly two months (October 28th) for the Administration to submit a supplemental funding request to Congress for housing repair needs. And that request of $1.5 billion in Community Development Block Grant (CDBG) funds, along with the $200 million Homestead request and a few other smaller amounts, was woefully inadequate to even begin the task of helping to repair and rebuild the hundreds of thousands of homes and apartments damaged or destroyed by Hurricane Katrina. *[It is ironic that the Bush Administration would propose CDBG as the main housing reconstruction vehicle for Hurricane Katrina, as it had spent most of the year trying to convince Congress to kill the $4 billion CDBG program and its housing role (an effort Congress rejected)].*

To add insult to injury, the request also asked Congress to eliminate critical funding for existing housing programs to help defray the supplemental cost. The 10/28 request asked Congress to cut $100 million for Section 811 disabled housing, virtually eliminating any new construction of disabled housing units in Fiscal year 2006. The request also proposed eliminating the $24 million approved for Brownfields economic development grants and $6 million for CDBG Section 108 economic development loans. Fortunately, Congress ignored these requests.

While the Bush Administration tried to argue that its meager funding request and response to Katrina was adequate, Congress clearly disagreed. Capital Markets Subcommittee Chair Richard Baker introduced a bill on October 20 (HR 4100) to establish a Louisiana Recovery Corporation. The bill authorized the Corporation to buy and sell homes damaged or destroyed by Katrina, and provide funds to homeowners to help compensate them for loss of equity in their home.

Then, on November 2, 2006, the Congressional Black Caucus (CBC) introduced H.R. 4197, a comprehensive Katrina rebuilding plan that addressed a wide range needs including housing, education, health care, small business assistance, transportation, unemployment assistance, and voting rights. The bill included funding to repair and rebuild single family homes, affordable private sector rental housing, and public and federally assisted housing damaged or destroyed by Hurricane Katrina. Funds were authorized through a number of existing HUD programs, including the CDBG and HOME block grant programs, and the Public Housing HOPE VI and Capital Repair programs. The bill also authorized $3.5 billion in Emergency Housing vouchers, and $10 million in funding for both fair housing enforcement and housing counseling assistance.

On December 15, 2005, the Baker bill (H.R. 4100) was reported out of the Financial Services Committee by voice vote. Republicans agreed to include funding authorization for most of the housing programs that were included in the CBC bill – including a request by House Democrats for $13 billion in CDBG funding, $1.5 billion for HOME, $100 million for HOPE VI public housing, $100 million for public housing capital repair, a general authorization for funding for fair housing enforcement and counseling, and $2.5 billion for emergency vouchers.

In late December Congress approved a supplemental funding bill for Katrina, with $11.5 billion for CDBG in impacted areas. **This amount – though slightly less than the amount in HR 4100 - was 8 times the amount the Bush Administration had requested in late October.**

In spite of mounting estimates of the cost of housing reconstruction in the Gulf, the Bush Administration continued its opposition to HR 4100, the Baker bill. As a result, frustration grew among Gulf Coast Congressional members over the Administration opposition to the Baker bill and its reluctance to ask for adequate housing reconstruction funding. Reacting to growing pressure, on February 16th the Bush Administration submitted a new supplemental funding request, which included $4.2 billion in additional CDBG funding for areas affected by Katrina.

This request was approved by the House, but the Senate increased the CDBG amount to $5.2 billion. The Administration Statement of Administration Policy on the Senate bill noted the higher amount, and in spite of a Presidential veto threat if the overall funding level exceeded the Administration request, Congress agreed to the higher Senate CDBG level of $5.2 billion.

Opposition to Rehabilitation and Repair of Affordable Rental Housing
Over the last year, the Bush Administration has repeatedly opposed efforts to rebuild rental housing that is affordable to working families and low-income households.

OPPOSITION TO REPAIR OF PUBLIC HOUSING UNITS. By the end of 2005, HUD had obtained information from its field offices related to hurricane damage estimates. While these estimates were being revised, it was already known that more than 14,000 public housing units were damaged or destroyed by Hurricane Katrina alone at a cost in excess of $308 million. Despite public assurances that the Administration was committed to helping residents return to their homes, it took nearly ten months for the Administration to present any plan to rebuild public housing in New Orleans. By the time the Administration (through HUD) finally unveiled its public housing proposal on June 14, 2006, former public housing residents had been staging round-the-clock protests by living in tents outside the St. Bernard housing complex.

Unfortunately, the Administration still has not requested any new funding to help rebuild public housing. Instead, HUD's June 14 announcement calls for the demolition of over 5,000 public housing apartments for the poor at four major public housing developments in New Orleans, which together represented more than half of the public housing developments in New Orleans. HUD's decision to demolish the public housing developments, made without input from affected residents, would mean that at least 3,000 families who lived in the 4 developments targeted for demolition (St. Bernard, C.J. Peete, B.W. Cooper and Lafitte) will be unable to afford to return to their homes and will be forced to find a new place to live. If the Administration's plan goes forward, New Orleans will have lost 85 percent of its public housing over the past decade.

Opposition of the Bush Administration to rebuilding public and low income housing was typified by a number of comments made by HUD Secretary Jackson, who told the Houston Chronicle that he advised Mayor Ray Nagin that *"it would be a mistake to rebuild the Ninth Ward"* [Washington Post, 10/3/05], stated that *"New Orleans is not going to be as black as it was for a longtime, if ever again"* [Houston Chronicle, 9/29/05], and talking about New Orleans public housing units said that *"Only the best residents should return"* [New Orleans Times-Picayune].

It is true that HUD's June 14 plan did propose the construction of mixed-income developments to serve residents with a wider range of incomes. Of course, this proposal was somewhat ironic, since the Bush Administration has spent the last four years trying to kill the $574 million HOPE VI public housing program which revitalizes distressed and obsolete public housing developments, by rebuilding with mixed income communities.

But, HUD's plan differs for New Orleans differs from HOPE VI, since HOPE VI is designed to create new housing opportunities for low income families and seniors displaced by the new mixed income housing - whereas the Bush Administration plan for New Orleans is not. Sadly, after nearly one year, of the more than 5,100 families who lived in public housing units in New Orleans prior to Hurricane Katrina, only 1,000 of those families have been able to return to their homes. Indeed, the Administration's decision to request no new funding to help rebuild public housing combined with its decision to demolish four public housing developments in New Orleans will make it even more difficult, if not impossible, for these families to return.

<u>OPPOSITION TO REPAIR OF FEDERALLY ASSISTED HOUSING</u>. The original 2006 Senate Katrina supplemental bill (HR 4939), included a provision that at least $100 million of the additional funds the President requested for rental housing assistance be used for either the repair and reconstruction of damaged federally assisted affordable housing (eg., project-based Section 8) or for new construction of affordable units in conjunction with low income housing tax credits. The Senate then approved an amendment by Sen. Landrieu [D-LA], to require that these funds be used for at least 4,500 project-based vouchers to be set aside for disabled, elderly, or homeless individuals. The Bush Administration had not included any request for funding for project-based affordable housing, and apparently did not support this Senate provision. Republican Congressional leaders later allowed this provision to die in conference.

<u>OPPOSITION TO SETASIDE FOR AFFORDABLE RENTAL HOUSING.</u> Both the House and Senate 2006 Katrina supplemental versions of HR 4939 required that at least $1 billion of the CDBG funds be used for the repair, rehabilitation and reconstruction of the affordable rental housing stock. The Bush Administration's official "Statement of Administration Policy" on the Senate bill opposed this rental housing setaside, stating that it was "*unnecessary and hampers the*

ability of local communities to provide funding based on local needs and citizen output." Fortunately, Congress retained the $1 billion rental housing aside in the final conference bill.

OPPOSITION TO KATRINA HOUSING PILOT PROGRAM. The 2006 Senate Katrina supplemental (HR 4939) also included a $1.2 billion Alternative Housing Pilot Program, through FEMA, to explore housing resources such as Katrina cottages or other modular housing. The Bush Administration's Statement of Administration Policy *"expressed concern"* that this amount *"far exceeds what is needed"* and the final bill provided only $400 million for this pilot program.

REDUCED FLEXIBILILITY IN HOUSING RECONSTRUCTION FUNDS USE. The Bush Administration's 2006 Katrina supplemental request included a number of provisions restricting the flexible use of CDBG funds by state and local communities. The most egregious of these was a requirement that CDBG funds could only be used for flood mitigation, a provision that would have prevented homeowners from using funds to repair or reconstruct damaged homes. When the House did not include this proposal to limit fund use to mitigation activities, the Statement of Administration Policy stated that the Administration "strongly objected" to the failure to include this limitation. Fortunately, Congress rejected this limitation in the final bill.

The Administration CDBG request also subjected use of CDBG funds to Section 404 of the Stafford Act, which would impose a 25% local match from other funds. The Administration request also prohibited CDBG funds from being used for the 25% local cost share required under any FEMA mitigation funding. At a time when local communities hit by Katrina were strapped financially, these two match limitations were unnecessary and counterproductive. Unfortunately, Congress effectively included these two provisions in the final conference bill.

Low Income Housing Tax Credits
One of the ways the federal government encourages the construction and substantial rehabilitation of affordable rental housing is through the Low Income Housing Tax Credit (LIHTC) program. Under the program, tax credit investors provide funds for affordable rental housing, in exchange for federal tax credits.

In December 2005, Congress enacted the Gulf Coast Opportunity Zone Act of 2005, a bill which included a number of tax relief provisions for communities affected by Hurricanes Katrina, Wilma, and Rita. The bills provided additional housing tax credit authority for 2006, 2007, and 2008, allocating $23 million each year in tax credits for Louisiana, $12 million each year for Mississippi, and $5.6 billion each year for Alabama.

Denial of Homeowners Insurance Claims
A significant number of homeowners living along the Gulf Coast have not been able to recover the full cost of damage to their home because of the failure of homeowners insurers to cover wind damage, claiming instead that the damage was caused by flooding. After the hurricanes, insurers paid substantial amounts for wind claims inland where it was not possible to blame the damage on storm surge, but insurers denied wind claims along the coastline where hurricane winds were much stronger. In coastal areas where Hurricane Katrina's winds and storm surge combined to cause damage, adjusters for some insurers assigned all damages to flooding covered by National Flood Insurance Program (NFIP) even though there was obvious wind damage.

The Bush Administration has been indifferent to the plight of homeowners on this point, hiding beyond a professed deference to the states on the issue of homeowners insurance, which has primarily been a state issue. However, the Bush Administration's deference to the states on this issue would appear to conflict the eagerness of the Bush Administration to intrude on or preempt the states in other financial services issues where it seeks to weaken consumer protections.

Members of Congress have been more responsive to these Katrina insurance concerns. In early June 2006, House Republican Leadership sought to consider H.R. 4973, the Flood Insurance Reform and Modernization Act of 2006, under suspension of the rules, without allowing any amendments. Rep. Gene Taylor [D-MS] wanted to offer an amendment to the bill to instruct the Inspector General of DHS to investigate Katrina claims adjustment practices to determine whether insurance companies assigned damages to flooding covered by NFIP that should have been covered by the companies' wind policies. When House Democrats pushed to allow a vote on the Taylor amendment, the House ultimately did allow the amendment to be offered to the bill, and the Taylor amendment was approved by voice vote on June 27.

On July 13, the Senate approved a similar amendment to the Homeland Security Appropriations Act. Sen. Trent Lott's amendment added $3 million to the appropriation for the Inspector General with an instruction to investigate the Katrina claims practices of insurance companies that contract with NFIP. The Senate provision also specifies that the Inspector General may request the assistance of the Department of Justice. Rep. Taylor had previously written the Department of Justice to urge the Katrina Fraud Task Force to investigate whether insurance companies have defrauded federal taxpayers by billing the flood insurance program for claims that should have been paid by the companies themselves.

These provisions are now pending in Congress.

A Hole in Disaster Rental Housing Safety Net Programs; the Slow Pace of Families Returning to their Home Areas

Hurricane Katrina hit on August 29th. Almost immediately House Democrats called on Congress to fund emergency housing vouchers for 300,000 low-income families displaced by Katrina. As noted, this same proposal was later included in the CBC Katrina housing bill. This proposal for housing vouchers was modeled after a successful program funded by Congress and administered by HUD in the aftermath of the 1994 Northridge Earthquake and Hurricane Andrew in 1992. Emergency vouchers provide rental assistance under clear eligibility criteria and assistance terms for evacuees, which is critical for families to be able to relocate to other communities, and ultimately, to return to their home community - knowing they will be able to afford the rent.

On September 14, Sen. Sarbanes [D-MD] offered an amendment to the Commerce, Justice, State Appropriations bill, to fund $3.5 billion for such emergency vouchers, and the amendment was adopted by the Senate. Unfortunately, when the Administration failed to support this provision, Republican Congressional Leadership killed the provision in conference.

Instead of moving quickly and aggressively to implement an alternative to emergency vouchers with emergency disaster funds that Congress approved right after Katrina hit, the Bush Administration’s immediate response to families being dispersed to other communities was to pressure those other communities to divert their scarce housing vouchers to households displaced by Katrina. This exacerbated the strain on housing resources of host communities, and passed over persons who had been on voucher waiting lists for years. In October House Financial Services Ranking Member Frank wrote FEMA, asking FEMA to reimburse communities for the cost of such diverted vouchers, in order to free them up for local families. Although the Bush Administration said they would consider this request, it never took any action.

On September 23rd – almost a month after Katrina hit – FEMA finally held a press conference to announce provision of rental housing assistance under the Stafford Act Section 408 program (the “Transitional Housing Assistance Program”). FEMA announced that it would provide an initial cash advance of $2,358 to all families eligible for 408 assistance, to cover an initial 3-month period. The Administration also announced a Disaster Voucher Program, to use FEMA funds to pay for existing voucher holders and families displaced from federal public and assisted housing.

Unfortunately, the Bush Administration’s management of the 408 program has been riddled from the beginning by administrative incompetence, a longstanding refusal to cover the cost of utilities, and most importantly, an ongoing refusal (even in defiance of Congressional directives) to provide clear eligibility criteria for continued assistance past the initial three month period.

Some 675,000 households received an initial advance of Section 408 funds. Subsequently, only 240,000 applied for recertification for additional assistance, of which 175,000 households were approved. While no doubt many families have gone on to find jobs and many have improved their financial position to the point where assistance is no longer needed, housing advocates maintain that a significant number of families in financial need simply dropped out of the program, due to factors such as FEMA’s administrative incompetence, the difficulty in dealing with FEMA, and/or the failure to have any confidence that they are still eligible for assistance.

At a March 7 briefing given by Sheila Crowley, President of the National Low Income Housing Coalition, she noted that “*The stories of people trying to get through and get a straight answer out of FEMA are legendary now . . . How people who are supposed to be served by a social program actually access that service reveals much about the intent of the program design. . . If* *access is confused, delayed, and dehumanizing, the effect is to limit utilization. The more hoops program participants have to jump through, the fewer participants a program will have. We can only conclude that the FEMA program is intended to help as few people as possible."*

The second major problem has been FEMA's refusal to permit reimbursement for the cost of utilities incurred by displaced families in connection with the rental of an apartment unit. Virtually all federal housing assistance programs permit assistance for the cost of such utilities. However, the guidelines issued by the Bush Administration under its September 23rd announcement prohibited reimbursement under the 408 program for such utility costs. Despite pleas by housing advocates that such reimbursement was both permitted under the Stafford Act and essential to protect low income families, the Bush Administration has repeatedly refused to change its policy.

Housing advocates went to court to contest a number of FEMA actions, and on July 13th, 2006, the U.S. District Court for the Southern District of Texas Houston Division ordered FEMA to permit Section 408 assistance to be used for reimbursement for utility costs. The Court noted that plaintiffs argued that many recipients do not have the ability to pay their utility bills without FEMA assistance, and found that plaintiffs presented evidence that failure to pay for utilities enhances their likelihood of eviction and foreclosure. The Administration promptly appealed this finding – a further sign that its intent is to provide as little rental assistance as possible.

But, the greatest problem with the Administration's administration of the Section 408 program is its repeated and willful refusal to provide clear eligibility criteria for continued rental assistance. This failure has created enormous problems for displaced families in need. First, although it is not quantifiable, many families have no doubt failed to apply for renewal assistance because the renewal criteria are too vague. Second, such uncertainty has made it less likely that landlords will rent to evacuees, especially lower income families. Third, the vague criteria issued by the Administration do not clearly include the most critical factor FEMA should use in determining ongoing eligibility (which is stated in existing FEMA regs) - whether a family has financial need.

The Bush Administration's failure to issue clear eligibility criteria has severely undermined the ability of families to make plans, especially regarding the decision whether to move back to their community. With rising rental rates and limited housing opportunities in New Orleans and other affected areas, families and individuals are understandably less willing to return to their local community if they do not know whether FEMA will continue to provide housing assistance.

A Washington Post 12/5/05 editorial put it well: *"FEMA's wobbliness reflects the administration's uncertainty about when it will stop subsidizing Katrina victims. . . at the moment, the benefits are guaranteed for only three months, and not all landlords are willing to rent to evacuees. More important the criteria for obtaining extensions remain disturbingly vague. FEMA says families must 'demonstrate a continued need for cash assistance' and must show they have 'a plan for moving forward' – distinctly subjective tests."*

Finally, in frustration, Congress included language in the December Katrina supplemental bill stating that "*The conferees are concerned with the lack of guidance on housing assistance*" and requiring that *"Within two weeks from the date of enactment of this Act, the Director of FEMA shall issue guidance to determine continued eligibility for housing assistance under the Section 408 program. Consistent with current FEMA regulations, such guidance shall include the extension of assistance if the recipient is unable to afford local housing at the Fair Market Rent level"* It is now eight months later and FEMA still has not complied with this Congressional directive, nor has it tied continued Section 408 rental assistance to financial need.

Bush Administration Failures

The ineptitude of FEMA in first few days after Katrina hit is almost universally acknowledged. Unfortunately, the intermediate and long-term administrative failures of the Bush Administration have continued to impede provision of critically needed housing assistance to displaced families.

Cruise Ships
In early September, 2005 FEMA authorized contracts for four cruise ships to house Katrina victims. Although FEMA had never used cruise ships in the past, they awarded the four six-month contracts at a cost of $250 million. Evacuees were reluctant to board the ships, as many wished to remain close to jobs or damaged homes. For the first month the ships were in use, the four cruise ships had an occupancy rate of only 35%, costing FEMA $3,300 per person, per week. FEMA subsequently shifted the use of cruise ships to house first responders and local governmental officials. However, the occupancy rate never increased sufficiently to make the use of cruise ships anything but a boondoggle that squandered limited housing resources.

Hotel/Motel Program
The Temporary Lodging Program was initiated by the Red Cross as an emergency housing program, under which the federal government paid hotels and motels to lodge displaced households unable to find permanent housing. In October 2005, the program was transferred to FEMA. On November 15, FEMA announced that it would terminate payments for the program just two weeks later, on December 1st – which would result in the eviction of most of the 53,000 families living in hotels or motels, who would not have enough time to find alternative housing.

FEMA's apparent indifference to the financial needs of displaced families caused a backlash from Congressional Democrats and the news media. In response, a few days later FEMA extended the program to January 7, 2006, and on November 23, FEMA was forced by a court order to extend the program again, this time to February 7th. Finally, after repeated attempts to force people out of hotels rooms, FEMA began transferring people from the Temporary Lodging Program to the Individual and Households Program, beginning on March 1st, 2006 – with the deadline for families staying in Louisiana and Mississippi extended to March 15th.

On March 16, Rep. Lee [D-CA] offered an amendment to the 2006 House Katrina supplemental prohibiting FEMA from kicking families out of the hotels and motels. The amendment failed on a largely party line vote of 230 to 189.

The program is by now almost completely phased out. As of July 26, 2006, there were only 40 families living in hotel rooms under this program.

Section 403: City Lease Program
In the months following the storm, FEMA encouraged cities and states to sign year-long leases for evacuees under the Section 403 program. Cities and states co-sign apartment leases and pay rent on behalf of displaced families, and are later reimbursed by the federal government.

Yet, just a few months after encouraging such leases, in November 2005 FEMA announced that it would accept no more leases and would terminate all households leased under the 403 program on March 15, 2006, and transfer families eligible for the Section 408 program into that program. This had the effect of terminating leases made for longer periods of time, at the previous encouragement of FEMA. In response, for example, Houston Mayor Bill White accused FEMA of breaking its promise, stating in a letter that *"Great nations, like good people, keep their word."*

This arbitrary and unnecessary cutoff created problems for participating municipalities, who were unfairly blamed for the cutoff and had to spend resources to step in and help displaced families renegotiate leases. The cutoff unnecessarily hurt landlords who had stepped in to help evacuees, which in many cases were forced to renegotiate lease terms. And, many families were hurt by the changeover to the 408 program, which has different eligibility standards and does not, under the Bush Administration, pay for security deposits and utility payments. As a result, many households were unnecessarily uprooted from their apartments.

Manufactured Homes and Travel Trailers
In a rush to acquire emergency housing for Hurricane Katrina victims, FEMA purchased tens of thousands of travel trailers and manufactured homes. As of April 21, 2006, FEMA had purchased 114,341 travel trailers at a cost of $1.7 billion. Yet, at that time, only 75,000 of those trailers were in use. FEMA also purchased 24,967 manufactured homes and 1,295 modular homes at the cost of $862.7 million and $40 million respectively. The tens of thousands of surplus travel trailers and manufactured homes were stockpiled at sites around the country - most notably the Hope, AK airport, where there were as many as 10,770 unused homes at one time.

In addition to purchasing travel trailers and manufactured homes that it failed to use effectively, FEMA also bought thousands of the wrong kind of mobile homes. 2,360 manufactured homes, purchased by FEMA did not meet FEMA specifications for the size and kind of manufactured homes authorized for use by the agency. Additionally, many of the homes that met FEMA specifications could not be used, as FEMA's regulations also prohibit the placement of travel trailers or manufactured homes in floodplains. FEMA also did not have a sufficient number of staff to prepare or install the homes on sites or personal property, causing further delays in the delivery of assistance.

In addition to the cost of purchasing manufactured homes and trailers, there is the additional cost of installing and storing the units. Due to the large surplus of unused trailers and homes, FEMA was forced to construct sites that were suitable to store and maintain the homes that were not being used. As of April 21,2006 the Department of Homeland Security's Inspector General estimates that the cost of maintain the 11 manufactured housing storage sites around the country comes to $47 million, not including the cost to initially set up each site. In the case of Hope, AR, FEMA spent $272,000 constructing a road to the storage site and continues to spend $58,000 every three months to maintain that road. Moreover, many of the manufactured homes were not stored properly and have become damaged or warped as a result of sitting unused for such an extended period of time.

In late June, FEMA officials announced their intention to sell those travel trailers that were too costly to repair or refurbish. According to the Inspector General of Homeland Security, were FEMA to sell the surplus trailers and manufactured homes, FEMA would be unable to recoup their losses due to the damage sustained in transport and storage.

HUD as Bystander to Housing Crisis Created by Hurricane Katrina
Unlike FEMA, the Department of Housing and Urban Development (HUD), as the lead federal housing agency, is the one federal agency with the knowledge and expertise necessary to address the scope of housing needs created by Katrina. In prior disasters, such as the Northridge Earthquake and Hurricane Andrew, HUD played a critical, hands-on role in the immediate, intermediate, and long-term federal housing response. However, despite ongoing pleas of affordable housing advocates for HUD to play a much more active role in the housing response to Katrina, HUD's reaction to this request appears to be that it is not in their job description.

Almost a year after Katrina, HUD STILL has not developed a long term recovery plan for permanent affordable housing in the Gulf Coast. Moreover, in spite of its self-evident incompetence, FEMA is still the lead agency with regard to the federal housing response.

This is remarkable, considering that in February 2006, the Bush Administration released "The Federal Response to Hurricane Katrina: Lessons Learned." Among the recommendations for improving the Federal response to disasters was the following: *"**Designate HUD as the lead federal agency for the provision of temporary housing**. HUD, with extensive experience providing housing resources for those in need, must use its extensive network of regional offices and Stats and local housing, agencies, to prepare for potential relocation emergencies. While there will always be a need for some victims to remain in their property while rebuilding homes, the provision of trailer should not be the default means of temporary housing offered to all evacuees leaving shelters."*

This is a lesson that the Bush Administration clearly has NOT learned, as FEMA still takes the lead federal Katrina housing role. Five months have passed since the Administration released its recommendation to put HUD in charge of the long term housing response to federal disasters, and HUD still apparently believes that long term disaster housing is the responsibility of FEMA.

The indifference of HUD under the Bush Administration reached its zenith in December, 2005. The House Financial Services Committee announced a housing oversight hearing on Katrina. FEMA promptly sent a senior representative to testify – even though FEMA was not technically under the jurisdiction of the committee. But HUD Secretary Alphonso Jackson failed to either show up or even send a representative to appear before the Financial Services Committee. Only after being threatened with a subpoena did HUD later agree to appear before the Committee.

Despite federal legislation being developed in Congress to authorize transfer of longer term housing authority to HUD in the case of natural disasters, the Administration does not need legislation to follow its own February recommendation to have HUD take a lead role. In the case of the Northridge Earthquake and Hurricane Andrew, mission assignments were made under which disaster supplemental funds were given for vouchers and other housing purposes to HUD to administer. This even happened on a very limited scale for the KDHAP program last year.

HUD's failure to take over the long term federal housing response to Katrina - especially in light FEMA's abysmal performance – reflects the Bush Administration's lack of commitment to addressing the enormous housing needs arising out of Hurricane Katrina.